

Ferdinand Pecora is no longer with us.

The spiritual and moral landscape of the country is again littered with the rot and decomposition of licentiousness business excess while the stench of a permissive corporate morality hangs as a great pall over our culture, our communities, and our politics. But we have been to this place before and as a nation have a great experience that can now be called upon. The time has come to resurrect a past American hero, a man who a short time ago seemed irrelevant and forever lost to American history.

So let us return to the year 1933, the fourth year of the Great Depression. The setting is Washington D.C. The leading man in this drama, and one of the lost stalwarts of the American way of life, is Ferdinand J. Pecora.

It is February, 1933 and President Herbert Hoover and many others who had been valiant defenders of the Wall Street way of life are packing their bags. With a new Congress on the way, a revitalized Senate Banking and Currency Committee is about to begin hearings.

To the lords and ladies of America's state religion, upholders of the dogmas of the hard righteousness of the Marketplace, even the threat of a public forum on the causes of the Great Depression was considered an outrage. And then these hearings became a reality bringing fear and paranoia to the Wall Street temples and mansions.

And for good reason. Not only would this be a public show trial but who could predict what kind of reaction the bankers in the dock might trigger? Would the rabble rise up and hang their betters from the poles of street lights? Were gold, jewelry, and property deeds to be seized? And what about Moscow and the Communists? Everybody knew they were behind everything.

And so it was when the Wall Street banks were called to appear before Ferdinand Pecora in late February of 1933. Since 1929, forty per-cent of all American banks had closed while the accounts of

nine million individuals and families were forever lost. The New York Stock Exchange was a fifth of its 1929 value, and by the time the new president was inaugurated, there would be seventeen million unemployed. And then, like a bolt of lightning, the stalled investigation into the financial racketeering that had brought on the Depression began in the United States Senate.

A longtime Wall Street critic, Republican populist Senator Peter Norbeck of South Dakota, took the chair of the Banking and Currency Committee. Norbeck struck quickly and appointed a hard nosed New York City prosecutor named Ferdinand J. Pecora as counsel. The hearings came to be known as the Pecora hearings. The Pecora hearings, white-washed out of the corporate version of American history, remain the most unique congressional investigation in our history.

First on the stand was Wall Street's "Sunshine Charley" Mitchell, President and Chairman of the Board of the National City Bank, known today as Citicorp. Mitchell was the most powerful banker in the country and was used to doing what he wanted. As president of the National City Company in 1916 he quickly transformed the affiliate to the world's volume seller of securities that the bank was forbidden by law to deal in. He would tell the committee he "did not see it as a problem." In 1921 he became president of the bank and the affiliate promptly began to sell stock in the bank which was also forbidden by law. Mitchell didn't see that as a problem either. Not that he had anything to worry about. He was an old friend of Treasury Secretary Andy Mellon who was running the country for Presidents Harding, Coolidge and Hoover.

Scheduled to follow Mitchell was National City Director and Anaconda Copper Chairman John D. Ryan. Third would be Hugh Baker, president of the National City Company. Summoned, but too ill to attend was the ultra-wealthy Percy Rockerfeller who was on the board of directors of 51 companies besides the National City Bank and Anaconda

Copper.

The hearings would last over a year, hundreds would testify, and much it would be front page news. As Wall Street was to discover, Ferdinand Pecora was a man who did his homework and the first days of the hearings sent the country into an uproar as Charles Mitchell admitted to: Dodging his 1929 income tax with the ruse of a fictitious loan of \$2, 800,000 from the National City Company. Confessing that a series of unsecured and unpaid loans for millions of dollars were made to National City insiders to cover stock market losses and were signed off by Mitchell, Baker, Ryan and Percy Rockerfeller. Conspiring with Cuban President Gerado ("The Butcher") Machado as the National City Bank, unloaded \$31 million worth of useless Cuban sugar loans by transferring the insolvency to the stockholders of the National City affiliate without their knowledge. To do this the National City Company created a dummy Cuban company, the General Sugar Corporation.

Admitting that in 1927 and 1928 the National City Bank dumped \$90 million of worthless Peruvian government bonds on unsuspecting customers of the National City Company. Under the grilling of Pecora, Mitchell also conceded that the bonds were not "a good moral risk." Mitchell and Baker both testified to a memory loss when asked if there was any reason to consider the bonds sound.

Admitting that time and time again millions of dollars were made on insider trading and pool manipulations of Anaconda Copper subsidiaries: Andes Copper, Chile Copper and Greene Cannea Mining stock by National City bank insiders including Percy Rockerfeller, James Stillman Jr., Mitchell and Anaconda President John D. Ryan.

Pecora would later write about the small investor, "surprised to find all of this going on, who had somehow believed that everything on Wall Street was regulated, overseen, and safe. He has reckoned without the ingenuity of the legal

technicians and the complaisance of governmental authorities toward powerful financial and business groups."

"BANKSTERS!"

Soon Mitchell and Baker were gone and the hearings moved into a second week before a stunned public. During the first days of the investigation Mitchell and Baker resigned all their Wall Street positions and directorships. Anaconda's John D. Ryan mysteriously died without getting on the stand. His demise came only three days before the hearings began. The ailing Percy Rockefeller died in late 1934.

But the first week was enough for TIME Magazine to bring a new expression to the American public. In describing the confessions wrung out of Mitchell and Baker, the magazine coined the word "bankster." Montana Senator Burton Wheeler added that "some of these bankers should at least join Al Capone in prison." But none would. There were few laws governing white-collar crime and only Richard Whitney, president of the New York Stock Exchange, would end up in Sing Sing.

But others would come before Pecora and the Senate. And finally it was the turn of the great J.P. Morgan Jr. On a hot July afternoon Pecora asked Morgan if he had paid any income tax in 1930. The only noise to be heard in the room were the overhead fans. Morgan was silent. Pecora was silent. It was the kind of question you asked a field hand or a bank clerk but not a deity. Finally the great man replied "I cannot remember."

Morgan, the "Lion of Wall Street," whose legend spoke of a grasp of detail and numbers second only to his father had no answers. The same question was asked of 1931 and then of 1932. Question after question brought "I cannot remember" from Morgan. Then Pecora revealed that Morgan had paid no income tax in 1930, 1931, and 1932. And he had done nothing illegal.

Treasury Secretary Mellon had inserted enough clauses in the tax code so that America's very wealthy, including Mellon, seldom paid taxes. Al Capone would have never went to prison if he had known Andy Mellon.

As for the Morgan banking partners the answers were the same. J.P.Morgan knew nothing of any taxes paid by his office or his partners. Pecora said the total taxes paid by the entire House of Morgan and its partners in the previous five years was a single payment of \$5,000 dollars in 1931.

Of course these are just two examples, if two of the more sensational appearances before this long ago committee. Yet even a brief glance at these hearings quickly reveals how Wall Street greed plunged the United States and the world into what is known as the Great Depression. And if little or no memory of this great committee remains, and if Ferdinand Pecora, the son of poor Italian immigrants has been written out of the American History Themepark, all is not lost.

Following the Pecora investigation and hearings would be a great wave of New Deal regulatory legislation which would keep America's corporate predators in check for over sixty years. Some of these legislative acts were known as the Securities Act of 1933 and the Securities Exchange Act of 1934 which created the Securities and Exchange Commission. Others were the Glass-Steagell Banking Act and the Wheeler-Rayburn Public Utility Holding Company Act. Almost all of this regulatory legislation would vanish or be diluted in the permissive atmosphere of the New Economy of the 1990s. Ironically it was a Democratic president named William Jefferson Clinton that gleefully put his pen to the deregulating of the regulating legislation of the Great Depression era.

This text was edited from an article by Jackie Corr who lived in Butte, Montana. The original can be found at Counterpunch.org. Jan 11th, 2003
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Ferdinand Pecora versus the Banksters

Re-Imagining Economics